

ASSURANCE

OF

**NATIONAL SOCIAL SECURITY FUND
DUNGU SATELLITE VILLAGE PROJECT**

FINAL REPORT

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List of Abbreviations / Acronyms

CoST	Infrastructure Transparency Initiative
MSG	Multi Stakeholder Group
NSSF	National Social Security Fund
PE	Procurement Entity
DfID	Department for International Development
AT	Assurance Team

1.0 Introduction

The CoST Tanzania Multi-Stakeholder Group (MSG) appointed an Assurance Team comprising of QS Golden Kigolla and QS Mbilima Munyaga to undertake assurance of the NSSF Dungu Satellite Village Project located at Dungu Village, Dar Es Salaam.

Following is the report prepared by the experts.

1.1 Historical Background

The CoST - the Infrastructure Transparency Initiative - is a global initiative working with governments, the private sector and local communities around the world to get better value for money in public infrastructure investments through increased transparency and accountability. By increasing transparency and accountability the initiative improves efficiency and reduces mismanagement, corruption and risks posed to the public from poor construction.

The initiative was formally initiated at a meeting held in London in 2007 attended by about 80 country and global institutions representatives (including Tanzania). It was formally launched in Tanzania in 2008 and is currently active in Afghanistan, Costa Rica, El Salvador, Ethiopia, Guatemala, Honduras, Malawi, Panama, Thailand, Uganda and Ukraine.

CoST Tanzania is hosted by the National Construction Council. The Initiative operations are overseen by a multi-stakeholder group (MSG) comprising representatives from government, industry and civil society elected by the Annual General Meeting. The decisions of the MSG are implemented by a small National Secretariat.

Construction is a complex process that involves many stakeholders and substantial amounts of money being exchanged through various hands, hence creating avenues for different forms of malpractices. Consequently, public sector projects have been known to be associated with increased contract prices, poor quality and severe delays resulting into non-achievement of expected value for money. The complexity of the causes and types of malpractices are such that they cannot be addressed by a single initiative.

It is with the above understanding CoST, which is a multi-stakeholder initiative has emerged with a focus of improving the value for money spent on public infrastructure projects by increasing transparency..

CoST believes in accountability by government to all citizens for public expenditure on construction projects, and are committed to encouraging high standards of transparency and accountability in all parts of the construction sector, both public and private.

Therefore, CoST's primary purpose is to help raise the standards of the transparency and accountability of publicly funded infrastructure projects, by disclosing project delivery information into the public domain.

Disclosure

CoST increases transparency by disclosing data on public infrastructure projects. Data and information are disclosed at key stages throughout a project cycle, as set out in the CoST Infrastructure Data Standard (IDS). Ultimately, a national programme establishes a disclosure process for public infrastructure that is viable, sustainable and appropriate to local conditions and that can achieve a credible and substantial level of compliance.

The “Infrastructure Data Standard” (IDS), contains standard disclosure points considered ideal for the purpose of informing stakeholders about relevant aspects of the project and persuading them to actively follow up implementation of the project. The IDS contains 38 data points in the Proactive Disclosure section and 28 data points in the Reactive Disclosure section. The disclosed information released to the public domain by the PEs is termed as ‘proactive disclosure’ whilst the information issued on request is referred to as ‘reactive disclosure’.

Assurance

CoST promotes accountability through an independent review of the disclosed data. Through this assurance process, CoST validates technical data, interprets it into plain language and identifies issues of importance. This helps stakeholders to understand the main issues and acts as a basis for holding decision-makers accountable.

A list of information that is required to be disclosed is outlined in the IDS attached to this report as **annex A**.

During assurance

1.2 Objectives of the Assurance

The objectives of the Assurance Team on the NSSF Dungu Satellite Village project were to undertake the following:

- (a) To collect the information from the procuring entities (PEs) through their various reports, and where necessary consultants and contractors on selected projects in order to ensure the publication of the relevant IDS as outlined in **Annex A**. Where PEs will produce the IDS, the ATs will have to ensure they are properly filled and complete.
- (b) To verify the accuracy and completeness of IDS disclosures on the selected project and produce reports as required by the MSG.

- (c) To analyse disclosed and verified data on the selected projects in order to make informed judgments about the cost, time of delivery, and quality of the built infrastructure.
- (d) To produce reports that are clearly intelligible to the non-specialist, highlighting any cause for concern the analyzed information reveals.

1.3 Challenges met in the assurance process

From the onset, after going through the filled IDS provided by PE, the AT realized that the project was divided into some lots done by several contractors on site. Though from the outside look the project appeared to be one, it was divided into several contracts (thirteen to be more precise). The AT advised the MSG Assurance Task Force about the nature of the project and its implications regarding the IDS completion.

The resolution was to visit the site and see the actual happening and probably choose to deal with at least four (4) lots. On 7th June 2017, the AT and the CoST manager visited the site. From what was observed on site the CoST Manager advised that we choose and deal with only one (1) lot, which was Lot 1.

The PE was requested to revise the IDS to reflect information related to Lot 1 only. There was a delay of about seven months in getting the revised IDS which consequently affected the verification process. The CoST Manager and his team advised that the verification process be skipped and produce the final report based on what can be deduced from the submitted IDS.

2.0 Assurance Findings for Dungu Satellite Village

Following are the Assurance Team findings and interpretation thereof based on the IDS as submitted by NSSF and the data collected during and after the site visit.

2.1 Project Background

Dungu Satellite Village is a Residential development undertaken by National Social Security Fund with the aim of selling and generating income for the Fund. The project is located about 28 km from Kigamboni Ferry; about 20 kms are sealed while the rest is earth road that may be impassable during rains. Currently the access road to the site is in poor condition.

The development project involved the construction of 62 numbers of residential buildings planned to accommodate 439 families, ancillary buildings and including of site works, which was divided into four lots named; Lot 1, 3, 4 and 5. Available budget for the project was TZS 100,023,584,983.61 but the total Contract Price for the works is TZS 87,023,584,983.61 (a difference of TZS 13,000,000,000).

The Residential development is undertaken by a number of Contractors as follows:

- Lot 1 - Beijing Contractors (Foreign)
- Lot 2 - Not Available
- Lot 3 - Advent Construction (Foreign)
- Lot 4 - 10 Local Contractors
- Lot 5 - CRJE (Foreign)

As stated by the PE (NSSF), the project is wholly owned and funded by the Fund, but according to other reports including the Auditor General's Report for 2015, the project has been noted to be a Joint Venture with a private firm identified as AHEL.

It has been further established from the same sources that **Lot 2** is not located at **Dungu Farm** but at another NSSF/AHEL Joint Venture project known as **Dege Eco Village** also situated at Kigamboni.

However, the scope of the assurance assignment was limited to **Lot 1 only** which upon completion, will have 15 number of buildings divided into; 3 blocks with capacity of 6 families each, 5 blocks with a capacity of 4 families each, 6 blocks with capacity of 4 families each and 1 block with a capacity of 9 families. The buildings would accommodate 71 families in total.

2.2 Project Data for Lot 1

Project data for Lot 1 are summarized as follows.

Employer	:	National Social Security Fund (NSSF)
Architect	:	Ardhi University Dept of Architecture (Arch),
Quantity Surveyors	:	KAMU Cost Engineering Centre
Civil/Structural Engineer	:	Tancosult Ltd
Service Engineer	:	ML Engineering Consultancy Ltd
Contractor	:	M/S Beijing Construction Engineering Group Co. Ltd
Electrical Sub-Contractor	:	Electro-Mechanical Agencies
Sub-Contractor	:	Hitaji Company Ltd
Commencement Date	:	31 st January 2014
Original Contract Period	:	30 Months
Revised Contract Period	:	31 st December 2017
Original Completion Date	:	30 th June 2016)
Revised Completion Date	:	December 2017
Original Contract Price	:	TZS 21,453,198,002.50
Current (June 2017) Status	:	Approximately 75% complete.

2.3 Project Planning and Implementation

2.3.1 Project Identification

- a) As stated by the PE (NSSF), the project name is the **Proposed Construction of Dungu Satellite Village, Lot 1**, located at Dungu farm in Kigamboni, Dar es Salaam.
- b) The primary aim of the Fund for implementing this development was said to be to invest for **income generation to the fund, improve the social life, promote local contractors, to participate in alleviating accommodation deficit in the country and to create employment opportunities to Tanzanians.**

AT's observations/comments

As mandated by ACT No. 28 of 1997, section 62 and 63 the core objective of the Fund is to generate income to improve social life of its members. The other objectives are not mentioned in the Act. However, by the time of publishing this report (March 2018) there was no evidence that any of the objectives had been achieved.

2.3.2 Project Preparation

The Dungu Satellite Village was split into four lots namely Lot 1, 3, 4 and 5.

The Fund stated that the scope of Lot 1 project was to build residential units with the capacity of housing a total number of 71 families. 15 numbers of buildings were designed to meet that requirement.

The Fund further stated that the environmental, land and settlement impact assessment were done and the results were in favor of the project. **The Feasibility study and the Land and Settlement Impact Assessment were not provided to the Assurance Team.**

The source of the project funds was the NSSF's members' contributions. A budget of TZS 100,023,584,983.61 for the whole scheme was approved and set aside in financial year 2013-2014.

Implications

If the fact that the market forces have changed hence negatively affecting the real estate field a situation which was not anticipated before during the feasibility study, then the buildings built could turn into white elephants, burying billions of shillings of the public (Contributors money).

A thorough look into this project could be necessary.

2.3.3 Lot 1 Project Procurement.

The tendering method used was said to be the **National Competitive tendering**. Though the number of firms tendered was said to have been 40 but it was not clear whether the number was for the overall project or just for Lot 1.

The main contractor was not local. **Local contractors have the capacity to implement the contract because the construction is not complex** (2 – 3 floors basically residential).

The type of contract entered was a fixed contract and by the time of carrying out this assurance assignment the contract was still valid.

The Contract Price for Lot 1 was given as TZS 21,453,198,002.50 .

The contract scope was said to involve 15 numbers of buildings to accommodate 71 families in total, with its associated external works in a contract period of **30 months** commencing on 31st January 2014 (i.e. to 31st July 2016). This has however been **extended to 31st December 2017.**

AT's observations/comments

The information given in the IDS is very confusing as it appears to be mixing up information of the whole project and those for Lot 1 only.

2.3.4 Project Completion.

As before said that the scope of this project is limited to Lot 1 only, the status of the project by the time this assurance assignment was being carried out was 75% complete (and the PE indicated in January 2018 that it was 100% complete). Following key issues are noteworthy:

- a) No separate anticipated completion cost and dates were provided except for the overall cost of TZS 21,453,198,002.50 and a completion date of 31st December 2017 respectively.
- b) It appears that initially, a police station was incorporated in the project design, however, in the IDS provided, it was indicated that the idea of including the police station was dropped out because it cannot be sold and was thus replaced with a residential building of exactly the same price..
- c) It was reported that audit and evaluation reports were carried out as per requirements though the PE could not provide nor reveal the contents of those reports.

AT's observations/comments

- (a) By the time of carrying out this assurance assignment, the project was only 75% completed when the contract duration has been exceeded by 34%. When the AT visited the site, the site was somehow inactive. Little if any was seen happening on site. External works were yet to begin.

2.3.5 General comment on Design and Quality of Work

The AT inspected the works and found some design concerns as follows:

- (a) In the 9 Unit Block, the sitting and dining rooms appears to be too small to fit even one set of sofa. Likewise, the toilets pans (WCs) are too close to the service ducts such that there is no enough room to sit comfortably. The attached pictures 1 and 2 can elaborate what was observed.

- (b) In some of the buildings as shown in the attached photos number 3 and 4, the “balcony water outlet’ was just over the entrance steps. It caused a situation whereby a passerby may be spilt with dirty water coming out of the first floor. This is a poor positioning of rain water outlet close to the entrance. The AT believes there were better places to locate the outlet as opposed to where they are located now.
- (c) External doors are opening inside posing fire risks to occupants.
- (d) Some units have dark central corridor which will require lights to be on 24 hours per day.
- (e) There is no consideration for disabled access – lack of ramps.

2.3.6 General Issues of Concerned on the Project

a) Local Contractors

The Fund engaged local contractors in the Dungu Farm project with an intention of empowering them though most of those contractors were found to have **low capacity of undertaking work with scheduled program.**

During Site visit it was revealed that some local Contractors have not completed their Contracts, have abandoned the site and no reasons were given. **The quality of their works is generally unsatisfactory.**

The implication is that the inclusion of the local contractor capacity building objective was not supported by the design of a capacity building framework and monitoring and evaluation framework that would have facilitated monitoring of their development process.

- b) **The PE indicated that there was a change in contract scope due to the decision to change the police station in favour of the high rise building but with no change in price.**

Annex A:

The Infrastructure Data Standard: *Core*¹ data points for proactive disclosure

Project phase	Project data	Contract phase	Contract data
Project Identification	Project name Project Location Purpose	Procurement	Procurement process Contract type Contract status (current) Number of firms tendering Cost estimate
Project Preparation	Project Scope (main output) Environmental impact Land and settlement impact Funding sources Project Budget Project budget approval date		Contract title Contract firm(s) Contract price Contract scope of work Contract start date and duration
Project Completion	Project status (current) Completion cost (projected) Completion date (projected) Scope at completion (projected) Reasons for project changes Reference to audit and evaluation reports	Implementation	Variation to contract price Escalation of contract price Variation to contract duration Variation to contract scope Reasons for price changes Reasons for scope and duration changes

¹Core items are a simplified list of substantive items of data, excluding the items included in the full list only for identification (e.g. project owner, contact details)

Annex B:

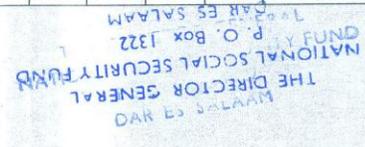
The Infrastructure Data Standard: Information for reactive disclosure on request

Project information	Contract information
Identification and Preparation Multi-year program & Budget Project brief or Feasibility study Environmental and social impact assessment Resettlement and compensation plan Project officials and roles Financial agreement Procurement plan Project approval decision	Procurement Contract officials and roles Procurement method Tender documents Tender evaluation results Project design report
	Contract Contract agreement and conditions Registration and ownership of firms Specifications and drawings
Completion Implementation progress reports Budget amendment decision Project completion report Project evaluation report Technical audit reports Financial audit reports	Implementation List of variations, changes, amendments List of escalation approvals Quality assurance reports Disbursement records or payment certificates Contract amendments

Annex C:

- i) Infrastructure Data Standard (IDS) with information for Lot 1 Provided by NSSF in July 2017

Project phase	Project data	Contract phase	Contract data
Project Identification	Project name	Procurement	Procurement process
	Project Location Purpose		Contract type
Project Preparation	Project Scope (main output)	Implementation	Contract status (current)
	Environmental impact		Number of firms tendering
	Land and settlement impact		Cost estimate
	Funding sources		Contract title
	Project Budget		Contract firm(s)
	Project budget approval date		Contract price
	Project status (current)		Contract scope of work
	Completion cost (projected)		Contract start date and duration
	Completion date (projected)		Variation to contract price
	Scope at completion (projected)		Escalation of contract price
Reasons for project changes	Variation to contract duration		
Reference to audit and evaluation reports	Variation to contract scope		
		Reasons for price changes	
		Reasons for scope and duration changes	



Terms of Reference

The Assurance assignment was to cover stages from procurement to completion of both the works contract and supervision contracts.

(a) Collection of information and data verification

NSSF has submitted an IDS form that has been completed with information on the Dungu Satellite village; copy is herewith attached.

The Assurance Team will undertake the following core activities.

- i. Review the IDS form provided by NSSF in order to:
 -  Assess completeness of the provided information compared to the IDS requirements;
 -  Provide a list of the additional information required to complete the IDS;
- ii. Prepare and submit to the MSG a report on the review indicating clearly the required additional information;
- iii. To participate in a meeting between NSSF and CoST Tanzania aimed at discussing the IDS and seeking and providing clarifications where necessary;
- iv. To complete the IDS with the additional information to be provided;
- v. To verify the accuracy and completeness of information contained in the IDS.
- vi. To analyse the verified data in order to make informed judgments about the cost, time of delivery, and quality of the built infrastructure.
- vii. To produce reports that are clearly intelligible to the non-specialist, highlighting any cause for concern the analyzed information reveals.
- viii. Once the IDS is complete, or reaches a point where information is no longer available to complete the IDS, the Team will proceed with verification of the information with the Client, project Consultant and Contractor. The Assurance Team will use this opportunity to also obtain and verify any additional information.

- ix. The AT is also required as part of the assignment to check the quality of the construction by making a site visit(s). A quality check is necessary in order to assess whether or not the structure is being built to specification.
- x. The most rigorous verification will be required to confirm changes to the contracts (for supervision and for works) during implementation.
- xi. Once the AT has undertaken a verification exercise, the AT should produce a report clearly intelligible to the non-specialist outlining the completeness and accuracy of information. The AT can include any causes of concern if identified at this stage. This will form the Interim Report.

(b) Data analysis

- i. Once IDS will be completed and verified, the MSG will require the AT to interpret the disclosed data to make it more easily understood by the general public. The public are perceived to be particularly concerned about getting 'value for money' in publicly funded construction projects. The AT is expected to make informed judgments, from the IDS that were being released, on the cost and quality of the infrastructure under construction.
- ii. In order to do that the AT will scrutinize the released information, paying particular attention to variations and claims, extensions of time, changes in scope etc where applicable, whether justified.
- iii. On the basis of the above analysis, the AT might in some instances, highlight to the MSG any causes of concern, where appropriate. Where it will not be clear as to whether the issue in question was a cause of concern, the AT will simply report the facts that gave cause for concern and leave it to the MSG and/or the wider public to ask questions and raise challenges, which might include calls for further investigation. Guidance will be provided by the MSG.
- iv. Where further information will be required by the AT to help it to make judgment on the facts presented, the AT will have to discuss that requirement with CoST; CoST will then decide on the best way to handle the requirement. The type of information to be requested was listed under 'reactive disclosure' of the IDS attached to this report as **Annex B**.

(c) PE's Verification of Information

It was important for the credibility of CoST to ensure that the information disclosed was technically accurate. To achieve that, both the IDS and all reports were to be verified by the PEs.

However, due to lack of corporation, the verification process was not done during the assurance assignment for the reasons given below in item 1.4.

(d) Deliverables

The following deliverables in a form of reports and filled IDS have been prepared and submitted in both soft and hard copies to the MSG as per the ToR:

- i. An Initial report containing a list of information required to complete the IDS;
- ii. A second report containing opinion on the analyzed and verified information.
- iii. A **Final Report, in three copies** after receiving comments from the MSG on the second report.